Interest-Bearing Capital

Capital Volume 3, Part 5, Division of Profit into Interest and Profit of Enterprise. Interest-Bearing Capital.

This is a long part of Volume 3 and is really too much with its sixteen chapters (21 – 36), almost a book in itself, to be covered in a single discussion. Therefore let us concentrate as before on the question of whether Volume 1 of Capital is undermined or over-ruled by Volume 3.

Marx makes it clear that this is not the case at the beginning of Chapter 23 where he writes:

> *"Interest, as we have seen in the two preceding chapters,*

*appears originally, is originally, and remains **in fact merely a portion of the profit,*** **i.e.*****, of the surplus-value****, which the functioning capitalist, industrialist or merchant has to pay to the owner and lender of money-capital whenever he uses loaned capital instead of his own."*

These pages contain great good sense and a lot of assistance to people trying to understand the "Global Economic Meltdown" that has been going on since 2008, and is now also generally referred to as "the debt crisis", or just "the crisis". As an example, here are some paragraphs from our sample [Chapter 29, Component Parts of Bank Capital](), (download linked below).

*"We shall now consider labour-power in contrast to the capital of the national debt, where a negative quantity appears as capital — just as interest-bearing capital, in general, is the fountainhead of **all manner of insane form**s, so that debts, for instance, can appear to the banker as commodities. Wages are conceived here as interest, and therefore labour-power as the capital yielding this interest. For example, if the wage for one year amounts to £50 and the rate of interest is 5%, the annual labour-power is equal to a capital of £1,000. **The insanity** of the capitalist mode of conception reaches its climax here, for instead of explaining the expansion of capital on the basis of the exploitation of labour-power, the matter is reversed and the productivity of labour power is explained by attributing this mystical quality of interest-bearing capital to labour-power itself. In the second half of the 17th century, this used to be a favourite conception (for example, of Petty), but it is used*

even nowadays in all seriousness by some vulgar economists and more particularly by some German statisticians.[1] Unfortunately two disagreeably frustrating facts mar this thoughtless conception. In the first place, the labourer must work in order to obtain this interest. In the second place, he cannot transform the capital-value of his labour-power into cash by transferring it. Rather, the annual value of his labour-power is equal to his average annual wage, and what he has to give the buyer in return through his labour is this same value plus a surplus-value, i.e., the increment added by his labour. In a slave society, the labourer has a capital-value, namely, his purchase price. And when he is hired out, the hirer must pay, in the first place, the interest on this purchase price, and, in addition, replace the annual wear and tear on the capital.

"The formation of a fictitious capital is called capitalisation. Every periodic income is capitalised by calculating it on the basis of the average rate of interest, as an income which would be realised by a capital loaned at this rate of interest. For example, if the annual income is £100 and the rate of interest 5%, then the £100 would represent the annual interest on £2,000, and the £2,000 is regarded as the capital-value of the legal title of ownership on the £100 annually. For the person who buys this title of ownership, the annual income of £100 represents indeed the interest on his capital invested at 5%. All connection with the actual expansion process of capital is thus completely lost, and ***the conception of capital as something with automatic self-expansion properties is thereby strengthened****.*

*"Even when the promissory note — the security — does not represent **a purely fictitious capital**, as it does in the case of state debts, **the capital-value of such paper is** nevertheless **wholly illusory**. We have previously seen in what manner the credit system creates associated capital. The paper serves as title of ownership which represents this capital. The stocks of railways, mines, navigation companies, and the like, represent actual capital, namely, the capital invested and functioning in such enterprises, or the amount of money advanced by the stockholders for the purpose of being used as capital in such enterprises. This does not preclude the possibility that these may represent pure swindle. But this capital does not exist twice, once as the capital-value of titles of ownership (stocks) on the one hand and on the other hand as the actual capital invested, or to be invested, in those enterprises. It exists only in the latter form, and a share of stock is merely a title of ownership to a corresponding portion of the surplus-value to be realised by it. A may sell this title to B, and B may sell it to C. These transactions do not alter anything in the nature of the problem. A or B then has his title in the form of capital, but C has transformed his capital into a mere title of ownership to the anticipated surplus-value from the stock capital."*

It remains the case that in Volume 3, Karl Marx is constantly referring back to Volume 1, and reminding us that whatever "financial" profits (as we would now call them) there may be, these are only portions of the surplus value generated at the point of production by the capitalistic exploitation of living human labour-power.

Picture: Max Keiser, of Russia Today's "Keiser Report" television programme, in a London taxi. Keiser is particularly eloquent about the insane role of "fictitious capital" in present conditions, which appear not to have changed at all from the time of Karl Marx, where finance capital is concerned. RT is on DSTV channel 407.

- **The above is to introduce the original reading-text: Capital Volume 3, Chapter 29, Component Parts of Bank Capital.**
- **To download any of the CU courses in PDF files please click here.**